

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 AGRE-00 /085 W

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P 030927Z SEP 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 4472

LIMITED OFFICIAL USE SECTION 1 OF 2 KUALA LUMPUR 5097

E.O. 11652: N/A

TAGS: EPAP, EAID, ID, MY

SUBJECT: PALM OIL: GOM FORMALLY PROTESTS USG ACTIONS ON PALM OIL

REF: STATE 210679

1. ON SEPTEMBER 3, MFA UNDER SECRETARY (ECONOMICS) ISMAIL BIN BUDIN CALLED IN ECON COUNSELOR TO PRESENT AIDE MEMOIRE IN WHICH GOM CRITICIZES SEVERAL RECENT ACTIONS BY U.S. EXECUTIVE AND LEGISLATIVE BRANCHES CONCERNING PALM OIL, URGES USG TO RECONSIDER NAC DECISION ON IFI FINANCING OF OIL PALM SCHEMES AND TO REFRAIN FROM MEASURES WHICH WOULD ADVERSELY AFFECT ENTRY OF MALAYSIAN PALM OIL INTO U.S. ON FAIR AND COMPETITIVE BASIS.

2. TEXT OF AIDE MEMOIRE FOLLOWS: "THE MALAYSIAN GOVERNMENT NOTES WITH REGRET THE RECENT DECISION OF THE UNITED STATES GOVERNMENT TO WITHDRAW ITS SUPPORT FOR LOANS TO BE GIVEN BY INTERNATIONAL LENDING INSTITUTIONS FOR OIL PALM PLANTING AND IS ALSO CONCERNED ABOUT REPORTS OF FURTHER MEASURES TO RESTRICT THE FLOW OF PALM OIL TO THE UNITED STATES. THE MALAYSIAN GOVERNMENT CAN ONLY INTERPRET THESE MOVES OF THE UNITED STATES, WERE THEY TO MATERIALISE, AS MEASURES TO CURTAIL THE PROGRESS OF DEVELOPING COUNTRIES SUCH AS MALAYSIA.

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"IT WILL BE RECALLED THAT DURING THE VISIT OF H.E. MR. EARL

BUTZ, US SECRETARY OF AGRICULTURE, TO MALAYSIA ON 23RD APRIL 1976 THE MALAYSIAN GOVERNMENT HAD DEMONSTRATED TO HIM THE SIGNIFICANCE OF OIL PALM IN THE ERADICATION OF POVERTY AMONG THE LANDLESS AND THE MAINTENANCE OF POLITICAL STABILITY AND PEACE THROUGH AN EFFECTIVE PROGRAMME OF LAND DEVELOPMENT. THE INVOLVEMENT OF THE MALAYSIAN GOVERNMENT IN SUCH LAND SCHEMES THROUGH SUCH AGENCIES AS THE FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA), THE STATE ECONOMIC DEVELOPMENT CORPORATIONS AND THE LAND DEVELOPMENT BOARDS OF SABAH AND SARAWAK MERELY INDICATES THE SINCERITY OF THE MALAYSIAN GOVERNMENT TO UPLIFT THE WELFARE OF THE POORER SECTOR OF THE POPULATION. THESE AGENCIES WHICH NOW ACCOUNT FOR 643,000 ACRES OR NEARLY ONE-HALF OF THE TOTAL PLANTED ACREAGE AND GIVES A SOURCE OF LIVELIHOOD TO 450,000 DEPENDENTS. LOANS FROM THE WORLD BANK AND THE ASIAN DEVELOPMENT BANK ACCOUNT FOR 125,100 ACRES OF THE ACREAGE PLANTED BY THESE AGENCIES.

"FROM THE FOREGOING IT IS OBVIOUS THAT LOANS FROM THE INTERNATIONAL LENDING AGENCIES HAVE PLAYED AN IMPORTANT ROLE IN PROVIDING A SOURCE OF LIVELIHOOD TO THE LANDLESS WHO OWN ON AN AVERAGE 10 ACRES OF OIL PALM AND AN ACRE OF LAND FOR PRODUCING CASH CROPS. THE UNITED STATES MAY REALIZE THAT IT IS THROUGH SHEER HARD WORK ON THIS MEAGRE LAND AREA THAT THE SETTLER SEES THE HOPE OF SATISFYING HIS ASPIRATIONS AND THOSE OF FUTURE GENERATIONS. IT IS DIFFICULT, BY COMPARISON WITH THE LARGER RESOURCES AND LAND AREA OF THE U.S. FARMER, HOW THE U.S. GOVERNMENT FINDS THIS ROLE OF THE INTERNATIONAL FINANCING OF LAND SCHEMES AT NEAR COMMERCIAL RATES, AN UNTENABLE SITUATION.

"THE U.S. GOVERNMENT WAS APPRAISED DURING THE VISIT OF H.E. MR. BUTZ TO MALAYSIA OF THE ROLE THAT PALM OIL HAS PLAYED IN STABILIZING THE PRICES OF OILS AND FATS AND ITS CAPACITY TO SATISFY THE INCREASING DEMAND FOR COMPETITIVELY PRICED EDIBLE OILS IN THE FUTURE. THE CURRENT ATTITUDE OF THE U.S. GOVERNMENT NOT TO SUPPORT INTERNATIONAL LOANS TO ENABLE PALM OIL TO PLAY ITS RIGHTFUL ROLE IN THE MARKET FOR EDIBLE OILS AND FATS IS TO DENY PALM OIL FROM DEVELOPING COUNTRIES A GREATER SHARE OF THE MARKET AND TO CREATE A MONOPOLISTIC COMMAND BY ARTIFICIAL AND UNFAIR MEANS FOR SOYABEAN OIL FROM THE U.S. IN THE MARKET FOR EDIBLE OILS AND FATS. THIS, AS THE U.S. GOVERNMENT IS WELL AWARE, IS CONTRARY LIMITED OFFICIAL USE

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TO ITS OWN DECLARED POLICY OF ENCOURAGING PRODUCTION EFFICIENCY BY FAIR COMPETITION.

"THE MALAYSIAN GOVERNMENT WHICH BELIEVES IN FAIR COMPETITION AND LIBERALIZED TRADE IS HIGHLY ALARMED AT THE INCREASING USE OF UNFAIR AND MANIPULATIVE TACTICS TO CURTAIL THE ECONOMIES OF DEVELOPING NATIONS. THE U.S. GOVERNMENT IS FULLY AWARE THAT THROUGH ITS PROGRAMME OF CONCESSIONAL SALES OF SOYABEAN OIL AND COTTONSEED OIL UNDER PL480 THE

MARKET SHARE FOR PALM OIL IS TO SOME EXTENT BEING REDUCED
IN COUNTRIES WHICH OTHERWISE WOULD CONSUME MORE PALM OIL.
IT IS, THEREFORE, OF EXTREME CONCERN TO THE MALAYSIAN
GOVERNMENT TO LEARN OF A SENATE RESOLUTION CALLING FOR THE
U.S. GOVERNMENT TO NEGOTIATE WITH PALM OIL EXPORTING COUNTRIES
TO VOLUNTARILY RESTRAIN THE EXPORT OF PALM OIL TO THE UNITED
STATES. THIS MEASURE WOULD NOT ONLY FURTHER ERODE THE MARKETS
FOR PALM OIL BUT WOULD ALSO BE TANTAMOUNT TO A DEVIATION
FROM THE UNIVERSALLY ACCEPTED PRINCIPLE OF NONDISCRIMINATION.

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OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 4473

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"THE MALAYSIAN GOVERNMENT IS ALSO HIGHLY ALARMED THAT THE
HOUSE SUB-COMMITTEE ON OILSEED AND RICE WHICH MET ON 6TH
AUGUST, 1976, IN DISCUSSING BILL ER 14921 INTRODUCED BY
CONGRESSMAN POAGE (D-TEXAS) AND BILL HR 14948 BY CONGRESSMAN
MATHIS (D-GEORGIA) ENTITLED "PALM OIL AND PALM OIL PRODUCTS
INSPECTION AND IDENTIFICATION ACT OF 1976" REVEALED THE
INTENTION OF MANY CONGRESSMEN TO STRESS ON THE ADVERSE
EFFECTS OF PALM OIL ON THE HEALTH OF CONSUMERS AND TO DISCOURAGE
THE CONSUMPTION OF PALM OIL. SUCH AN ALLEGATION IS SUBJECT
TO CHALLENGE SINCE THERE ARE OTHER OILS AND FATS CONSUMED
IN LARGE QUANTITIES IN THE UNITED STATES WHICH ARE MORE
SATURATED THAN PALM OIL. BUT AS POINTED OUT IN A USDA
REPORT, "SHORTENING IS BY FAR THE LARGEST USE OF PALM OIL
AND PALM OIL'S SATURATION SHOULD NOT BE A BARRIER TO ITS

USE IN THE MARKET"(1). CONGRESSMAN POAGE TESTIFIED THAT CERTAIN PALM OIL PLANTS WERE FOUND TO BE INFESTED WITH DISEASES. THE CLAIM BY CONGRESSMAN POAGE THAT PALM OIL PLANTS ARE DISEASE-INFESTED IS HIGHLY ERRONEOUS. THE MALAYSIAN GOVERNMENT WOULD LIKE TO GIVE THE ASSURANCE THAT MALAYSIAN PRODUCERS EXERCISE EXTREME CAUTION IN PRODUCING AND SHIPPING PALM OIL OF HIGH QUALITY AND IS ALWAYS CONSCIOUS OF ENSURING A HIGH STANDARD OF SANITATION IN ORDER TO MEET THE REQUIREMENTS OF CONSUMERS IN THE UNITED STATES. IT IS LIMITED OFFICIAL USE

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ENCOURAGING TO NOTE THAT THE ADMINISTRATION OPPOSES MOVES OF THIS NATURE WHICH CONSTITUTES A DISCRIMINATING AND NON-TARIFF MEASURE AGAINST PALM OIL.

"THE MALAYSIAN GOVERNMENT WOULD LIKE TO URGE THE U.S. GOVERNMENT TO RECONSIDER ITS DECISION TO DISCOURAGE LOANS GIVEN BY INTERNATIONAL LENDING AGENCIES FOR OIL PALM PLANTING AND FURTHER TO URGE THAT THE U.S. GOVERNMENT TO REFRAIN FROM ANY MEASURES THAT WOULD ADVERSELY AFFECT THE ENTRY OF MALAYSIAN PALM OIL INTO THE UNITED STATES ON A FAIR AND COMPETITIVE BASIS.

"3RD SEPTEMBER, 1976

(1) SEE PAGE 12 OF ANALYSIS OF THE FATS AND OILS INDUSTRY TO 1980 (WITH IMPLICATIONS FOR PALM OIL INPUTS), USDA, MAY 1976."

3. COMMENT. PALM OIL IS OF MAJOR ECONOMIC AND SOCIAL IMPORTANT TO MALAYSIA AND IS, THEREFORE, AN IMPORTANT FACTOR IN OUR BILATERAL RELATIONSHIP. THESE CRITICISMS CANNOT GO UNANSWERED. DEPARTMENT IS REQUESTED TO PROVIDE SUGGESTED LANGUAGE SO THAT WE CAN RESPOND FORMALLY TO THE SPECIFIC POINTS RAISED IN THE AIDE MEMOIRE. UNDERHILL

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Message Attributes

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Copy: SINGLE
Draft Date: 03 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
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